

# **FINANCIAL SERVICES COMMISSION**

**OFFICE OF INSURANCE REGULATION  
MARKET INVESTIGATIONS**

## **TARGET MARKET CONDUCT FINAL EXAMINATION REPORT**

**OF**

**ZURICH AMERICAN INSURANCE COMPANY**

**AS OF**

**October 21, 2005**

**NAIC COMPANY CODE: 16535**

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**TABLE OF CONTENTS**

**PURPOSE AND SCOPE OF EXAMINATION ..... 1**  
**COMPANY OPERATIONS ..... 1**  
**CLAIMS REVIEW..... 2**  
**SUMMARY OF FINDINGS .....3**  
**EXAMINATION FINAL REPORT..... 3**

## **PURPOSE AND SCOPE OF EXAMINATION**

Under authorization of the Financial Services Commission, Office of Insurance Regulation (Office), Market Investigations, pursuant to Section 624.3161, Florida Statutes, a target market conduct examination of Zurich American Insurance Company (Company) was performed by Examination Resources, LLC. The scope of this examination was June 1, 2004 through September 29, 2005. The examination began October 11, 2005 and ended October 21, 2005.

The purpose of this examination was to validate the completeness, accuracy and timeliness of reporting Professional Liability claims as required by Section 627.912, Florida Statutes.

In conducting the review, three tests were performed; Completeness, Accuracy and Timeliness. The Completeness test compares the total number of claims closed during the scope period that should have been reported to closed claims that were actually reported. The Accuracy test compares the information required to be reported to the Office to the information contained in the Company's claim file. This test was only conducted on a sample of those claims closed during the scope period and actually reported. The Timeliness test compares the date the claim should have been reported to the Office to the date the claim was actually reported. This test was only conducted on those closed claims actually reported within the scope period. The Timeliness test may include closed claims reported during the scope period but actually closed prior to the scope period. However, because they were not closed during the scope period, such claims would not be included in either the Completeness or Accuracy test.

This Final Report is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company. The files examined were selected systematically from data files provided by the Company using Microsoft Excel's "random sample" selection process. Procedures and conduct of the examination were in accordance with the Market Conduct Examiner's Handbook produced by the National Association of Insurance Commissioners.

## **COMPANY OPERATIONS**

Zurich American Insurance Company is a foreign property and casualty insurer licensed to conduct business in the State of Florida. The Company provides professional liability insurance in the State of Florida.

Total Direct Premiums Written in Florida for Professional Liability are broken down as follows:

Year	Total Written Premium (Florida)
2004	\$44,751

The Company had 148 Professional Liability claims open as of April 1, 2004, which were subject to Section 627.912, Florida Statutes, and which will need to be reported upon closure as required by the Statute.

93 claims were closed during the scope period and should have been reported pursuant to Section 627.912, Florida Statutes.

## CLAIMS REVIEW

### Findings

#### Completeness Test

The Completeness test compares the total number of claims closed during the scope period that should have been reported to closed claims that were actually reported.

Of 93 closed claims reviewed 27, or 30%, of the claims were not reported.

27 errors were due to failure to report closed claims. Section 627.912, Florida Statutes, states that closed claims meeting specific reasons for closure must be reported to the Office. The Company did not report closed claims meeting the requirements of the above statute to the Office.

**Corrective Action:** The Company should report those closed claims which were not previously reported during the scope of the examination. The Company should establish procedures to ensure that all closed claims meeting the reporting requirements of Section 627.912, Florida Statutes, are reported.

#### Accuracy Test

The Accuracy test compares the information required to be reported to the Office to the information contained in the Company's claim file. The Accuracy test can only be conducted on those claims closed during the scope period and actually reported. 66 closed claims were reported during the scope period.

10 closed claim reports were reviewed.

10, or 100%, of the claims reviewed were in error.

10 errors were due to failure to accurately report closed claims. Section 627.912, Florida Statutes, states that closed claims meeting specific reasons for closure must be reported to the Office and contain required information for each claim. The Company failed to accurately report all information required for closed claims as defined in the above statute.

**Corrective Action:** The Company should edit each closed claim report which contains incorrect and/or incomplete information. The Company should establish procedures to ensure that all information required to be reported for closed claims is contained in each report.

**Timeliness Test**

The Timeliness test compares the date the claim should have been reported to the Office to the date the claim was actually reported. The Timeliness test can only be conducted on those closed claims actually reported within the scope period. 66 closed claims were reported.

66 claims were reviewed.

5, or 8%, of the claims reviewed were in error.

5 errors were due to failure to timely report closed claims. Section 627.912, Florida Statutes, states that closed claims meeting specific reasons for closure must be reported to the Office within a certain time frame. The Company failed to report closed claims within the time frame required.

**Corrective Action:** The Company should establish procedures to ensure that closed claims are reported within the time frame required.

**SUMMARY OF FINDINGS**

		Actually Reported	Errors
Total Population	93		
Completeness Test		66	27
Accuracy Test		10	10
Timeliness Test		66	5

**EXAMINATION FINAL REPORT**

The Office hereby issues this report as the Final Report, which is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company.